The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Lieutenant Governor

JAY GONZALEZ
Board Chair

JON M. KINGSDALE

Board of the Commonwealth Health Insurance Connector Authority

Minutes

Thursday, February 11, 2010
9:00 AM to 11:30 PM
One Ashburton Place
Boston, MA 02108
21st Floor Conference Room

Attendees: Jay Gonzalez, Jon Kingsdale, Jonathan Gruber, Nancy Turnbull, Terry Dougherty, Rick Lord, Ian Duncan, Dolores Mitchell, Louis Malzone, Joseph Murphy and Celia Wcislo.

The meeting was called to order at 9:08 AM.

I. **Minutes:** The minutes of the January 14, 2010 meeting were approved by unanimous vote.

II. **Executive Director's Report:** Jon Kingsdale began by introducing the new Director of Commonwealth Choice (CommChoice), Roni Mansur, and stated that he would likely be able to introduce the new Director of Commonwealth Care (CommCare) at the meeting in March. Mr. Kingsdale provided an update on the Commonwealth Health Insurance Connector Authority's (CCA) continuing efforts, along with the Division of Health Care Finance and Policy and the Board of Higher Education, in making improvements to student health insurance. Nancy Turnbull recognized the efforts of Kevin Counihan and Cheryl Ierna of the CCA in this matter. Mr. Kingsdale also commended Glen Shor of the Executive Office for Administration and Finance and Nate Mackinnon of the Board of Higher Education for their part in the project. Next, Mr. Kingsdale mentioned to the Board a suggestion brought forth by Celia Wcislo that Massachusetts residents who have suffered financial hardship as a result of trying to assist family members affected by the recent earthquake in Haiti be provided a one year hardship waiver. This would allow them to avoid a penalty for not complying with the individual mandate in 2009. Ms. Wcislo pointed out the accommodations that Massachusetts employers have made for those effected by the earthquake, and stated that this is a chance for the state to help out these individuals, especially in light of the state's high Haitian population. Secretary Gonzalez voiced his support for this measure and stated that he did not believe this matter needed to be voted on by the Board. No concerns were expressed by members of the Board in regards to this matter.

III. **CommCare Budget & Re-procurement:** Secretary Gonzalez opened the discussion by providing context for how the CommCare budget for FY 2011 has been constructed, in light of the economic situation of the Commonwealth of Massachusetts. Secretary Gonzalez emphasized the fact that declining tax revenues and increased demands for state services have created significant strains on the state budget. Secretary Gonzalez continued by stating that Governor Patrick's commitment to health care reform is evidenced by the fact that the CommCare program is one of the few state programs slated for growth in FY 2011. Patrick Holland and James Woolman then began their presentation, focusing first on background information, and then shifting their focus to FY 2011 procurement. Jonathan Gruber asked how the proposed budget deals with the CommCare Bridge population. Secretary Gonzalez replied that $75 million has been set aside for the Bridge program, and that it is the state's expectation that this funding will allow the program to maintain the same level of coverage and allow new eligible members into the program.

Mr. Woolman highlighted the fact that over the first three years of the CommCare program, the participating managed care organizations (MCOs) have had a profit margin of 3%, collectively. However, the performance of each MCO has varied. Ms. Turnbull asked why there has been a difference in performance across the MCOs. Mr. Holland indicated that this has largely been the result of the auto-assignment which occurred in the early stages of the program, much of which went to BMC HealthNet and Network Health, which has allowed some MCOs to maintain a higher profit margin. Ms. Turnbull asked if much money is being transferred between the MCOs because of risk adjustment. Mr. Holland indicated that not much money is being transferred through risk adjustment at this point. Mr. Woolman stated that the first quarter data for FY 2010 shows degrading margins for the MCOs. Mr. Holland indicated that the removal of the Aliens with Special Status (AWSS) population and the suspension of auto assignment have been significant factors in these degrading margins. However, Mr. Woolman stated that data from the first quarter of FY 2011 indicates that cost increase levels experienced by the MCOs have been moderating. Ian Duncan asked if the capitation rates have been adjusted to reflect the removal of the AWSS population from the general CommCare population. Mr. Holland replied that the capitation rate will be increased by two percent starting in October 2010. Terry Dougherty asked how much of the increases in cost to the MCOs due to medical expenses are a result of the prices of medical services and how much are due to utilization of services. Mr. Holland replied that he and his team need to look further into the data on this subject in order to determine the answer. Ms. Wcislo requested that information be provided to the Board which will show the effect of cutting auto-assignment and the removal of the AWSS population on the level of cost incurred by the CommCare program. Mr. Kingsdale provided a summary to this discussion by stating that the end of FY 2009 showed a trending towards increasing cost and degrading margins. He continued that FY 2010 has provided some mixed signals and it is too early to jump to conclusions.

During the discussion of the FY 2011 procurement, Ms. Wcislo asked whether the MCOs would have to accept the base capitation rate proposed by the CCA since there is no bidding process. Mr. Holland answered that they would essentially have to accept the proposed capitation rate; however, there would be some flexibility in the process. Mr. Gruber asked for a further explanation as to how limited auto-assignment would be implemented in FY 2011. Mr. Holland replied that this information would be provided at the next Board meeting. Louis Malzone asked if the capitation rate for CommCare would have been higher had the AWSS population not been removed from the general CommCare population. Mr. Woolman answered that the capitation rate would have, in fact, been lower if the AWSS population had not been removed. Mr. Gruber requested that the staff of the CCA provide a comparison of the co-pay levels in the private market and the CommCare program. Mr.

Malzone raised the question as to whether the current stop loss reinsurance level of $150,000 per individual is appropriate based on the changes to the CommCare population. Mr. Holland replied that this figure has worked well in the past, but more data could be presented on this subject. Dolores Mitchell also voiced her concern in regards to this subject, as she had witnessed an abnormally high number of high cost claims recently in her organization, the Group Insurance Commission.

Since the MCOs will have limited bargaining power in the FY 2011 procurement process, Ms. Wcislo asked whether the CCA is sending the message to the MCOs that they should not have a profit margin. Mr. Holland replied that this is not the message the CCA is trying to convey, although we do acknowledge that the MCOs will be presented with a relatively tight capitation rate. Mr. Kingsdale added that to this point the MCOs involved in CommCare have been expanding their coverage areas, which gives the providers bargaining leverage. He continued by stating that the MCOs might want to take a look at how competitive they are in a certain region and decide if they should continue to provide coverage in that region. This would allow for the MCOs to negotiate better rates with providers. Mr. Dougherty asked whether the CCA has taken any steps to ensure that there will be at least one MCO providing coverage for the CommCare population in each region of the state. Mr. Kingsdale replied that a situation arising where no MCO is providing coverage in a region is unlikely, but the staff of the CCA could look into ways to ensure such a situation would not occur. While discussing the possibility of “carving out” pharmacy from the MCO capitation rate in order to take advantage of federal rebates, Rick Lord asked whether the CCA would be able to take advantage of these rebates if pharmacy were not “carved out” of CommCare. Secretary Gonzalez answered that the CCA would not be able to take advantage of these rebates if pharmacy was not “carved out” of CommCare. Ms. Turnbull requested that more discussions be held concerning how the health plans will share data if pharmacy were to be “carved out,” as to avoid increased administrative costs. Ms. Wcislo requested that more data be provided concerning the effect that the proposed pharmacy “carve out” would have on the CommCare MCOs. Ms. Turnbull also requested that more information be provided which will show how enrollee contributions will change across geographic areas as a result of the proposed pharmacy “carve out.” Mr. Malzone added that he is concerned about the reinstitution of auto-assignment, which would add cost to the CommCare program that would be difficult to quantify beforehand. Ms. Wcislo voiced her support of auto-assignment since all of these approved individuals took the initiative to apply, especially now that all of the plans will have the same capitation rate. Ms. Turnbull suggested that compiling data on which demographic groups tend not to enroll in CommCare after they have been informed that they are eligible for the program might be useful. Finally, Mr. Gruber asked the CCA to look into ways to continue to motivate MCOs to compete now that bidding has been removed from the procurement process.

IV. **Affordability Schedule (VOTE):** Kaitlyn Kenney began her presentation by providing some information about how the Affordability Schedule has been handled in the past. Ms. Kenney then provided three options for creating the 2010 Affordability Schedule. The first proposed option presented was to not make any changes to the Affordability Schedule. The second option presented was to increase premium contributions by 7%, which could be done across all income categories, which would delink the Affordability Schedule and CommCare enrollee premium contribution levels, or just for those above 300% of the federal poverty level (FPL), which would maintain the link between the Affordability Schedule and CommCare enrollee contribution levels. The third proposed option was to increase premium contributions by 3.5%, which could also be done either across all income categories or just for those individuals above 300% of the FPL. Ms. Turnbull asked whether the three options provided by Ms. Kenney would be the only ones considered once the options had been published for public comment. Secretary Gonzalez answered that other options for setting the Affordability Schedule could be considered. He then suggested that the three options, none of which would make changes to the Affordability Schedule for Massachusetts residents at or below 300% of the FPL, be published for public comment. Mr. Gruber suggested that all five possible courses of action be published, so as to not appear presumptive that no changes will be made to the Affordability Schedule for residents at or below 300% of the FPL. Secretary Gonzalez agreed that this would be the best approach.

When the Board members had an opportunity to provide their opinion on the possible courses of action for creating the Affordability Schedule, Ms. Turnbull voiced her concerns over rising premiums. She stated that in these difficult economic times, where health insurance premiums have continued to rise, the Board needs to be mindful that increasing the contribution levels in the Affordability Schedule sends the unfavorable message to the public that the CCA is not taking into account the difficult economic situation in Massachusetts. She continued that if the state cannot control premiums, then the individual mandate must erode. In addition, Ms. Turnbull voiced her support for maintaining the link between the Affordability Schedule and CommCare enrollee premium contributions, which she believes adds simplicity and works in this economic climate. Mr. Gruber emphasized the importance of protecting the individual mandate, while being conscious of the rising cost of premiums. Therefore, there needs to be a trade-off when creating the Affordability Schedule. Mr. Gruber also stated that he does not believe that there needs to be a link between the Affordability Schedule and CommCare enrollee premium contributions, as he could not foresee any administrative difficulties arising out of delinking the two. Ms. Wcislo stated that she is opposed to "delinking" because of the political backlash it could cause as it would divide residents at or below 300% of the FPL into two groups, those who have access to employer sponsored insurance, (ESI) and those who do not have access to ESI and are eligible for state subsidized health insurance. If "delinking" occurred, those with access to ESI would be responsible for a higher premium contribution than those enrolled in CommCare. Ms. Mitchell added to the discussion her concern over the general rising costs in the lives of residents, with which their incomes have not been able to keep pace. The Board unanimously approved the motion to publish all five proposed courses of action for constructing the 2010 Affordability Schedule for public opinion.

V. **Update on SBSB:** Rosemarie Day began by providing a recap of the SBSB Small Business Transition Opportunity and introducing the CCA's new program for small businesses, Business Express. Bob Nevins provided a look at the section of the website created to service members of Business Express. Ms. Wcislo and Mr. Gruber requested that section of the website where the employer sets their contribution level more clearly state that an employer can choose to contribute more than the minimum required level. Mr. Gruber asked if the CCA plans to reoffer a "choice model" to small employers, similar to the Contributory Plan. Mr. Kingsdale replied that the CCA plans to redesign a program around the "choice model," with the goal of launching it in 2011. Mr. Kingsdale highlighted the CCA's efforts to educate brokers about Business Express. Finally, Ms. Day mentioned that Business Express has already had thirteen new employers enroll outside of the normal conversions from SBSB.

The meeting was adjourned at 11:36 PM.

Respectfully submitted,
Andrew J. Graham